

## **Summary of Panel #1: “What Does Full Employment Look Like for Your Community or Constituency?”**

**Date: June 4, 2019**

**Moderator: Lael Brainard (Governor, Board of Governors of the Federal Reserve System)**

**Panelists: Patrick Dujakovich (President of the Greater Kansas City AFL-CIO), Juan Salgado (Chancellor of City Colleges of Chicago), and Andy van Kleunen (CEO of the National Skills Coalition)**

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This session assembled a panel that included leaders in labor, education, and workforce advocacy to discuss how current aggregate labor market conditions play out in the communities that they serve. In addition to the panelists, Holly Wade, director of research for the National Federation of Independent Businesses (NFIB), participated from the floor. The panel began with brief introductions from each of the panelists, followed by a discussion led by moderator Governor Lael Brainard.

The high-level themes that emerged from the discussion include:

- (a) Sustained tight labor markets have brought significant benefits to low- to moderate-income, low-skilled workers. Many workers have been drawn into the workforce who would not otherwise have been.
- (b) A key concern is that these workers ultimately find sustainable employment. The key ingredients to sustainability include tenure on the job, as well as a variety of supports that make it possible for these communities to stay at work, including child-care, transportation, and the opportunity to improve their skill-sets through employment-based and school-based learning.
- (c) All participants emphasized that while the current strong labor market provides an important opportunity for advances in labor force participation, it is important that the partnerships forged across employers, educators, workforce advocates and public policymakers be sustained throughout all phases of the business cycle, not just in particularly good times.

### **Panel Discussion**

**When we have a strong labor market (such as we enjoy today), what does that look like in your communities?**

Mr. Dujakovich first described his members, who are drawn from a diverse set of industries, the bulk of whom are low- to middle-income workers. In part because manufacturing has been rocked by a number of external factors over the years, employment stability and sustainability

are critical to his members. Mr. Salgado’s students—largely African-American and Latino—are benefiting from apprenticeship programs with local businesses that build pathways to entry-level jobs that might historically have gone to students with four-year degrees. He also noted that the national unemployment statistics are not reflective of his students, who as a group suffer considerably higher unemployment and lower labor force participation, even in the midst of an otherwise vibrant city economy. Mr. van Kleunen reported that businesses in this environment are more aggressively reaching out to find workers. In addition, firms are building relationships with community colleges and job training institutes to prepare workers for a sustainable employment relationship. That progress is promising, but it is also slow to attain scale, he reported. He also observed that working on these margins is easier for larger firms to exploit; a corollary is that building more of these partnerships with smaller firms is an important goal to work toward. Ms. Wade reported on developments in recruiting and training potential employees among her members. Her members are adjusting their recruitment strategies to current conditions, in part by lowering minimum qualifications for lower-skilled positions, but also by providing more in-house training programs.

**For the most vulnerable households, those at the lower end of the skill spectrum and those households of low and moderate income, how is this strong labor market changing prospects?**

Mr. Dujakovich reported that for those among his members who are most vulnerable, it’s generally difficult to get a foothold in the workforce, so the strong labor market has been a great benefit. Employers are waiving prerequisites such as minimum years of experience, looking the other way on criminal record blemishes, and dropping the drug test requirement in some cases. They are also exercising more flexibility on family-related and personal absences, because they have to, given tight labor markets. Mr. Salgado tallied the many stresses that lower-income workers face. Importantly, this often includes trying to pursue education—perhaps at a community college—while they are working. He re-emphasized the number of new training programs his system is offering in partnership with private businesses that are finding it harder to find new employees in the tight labor market. He noted that this is a rare opportunity for these populations to get attached to the labor force. Without that opportunity, many of these workers might never get the chance to participate fully and sustainably in the labor market. Mr. van Kleunen also emphasized the array of stresses on these workers, notably pursuing education while working, providing child care, and accessing transportation. While the focus in such discussions is often on worker training, a broader set of supports is needed to provide workers a path into sustainable employment. In the current strong labor market, employers have a strong interest in building public and private support systems that address these stress points and make it more likely that they can retain workers.

**Can you be specific about what it takes to pull some of these populations into the labor force on a sustained basis? Do current labor market conditions change the likelihood that they will still be in the labor force even in a weak economy?**

Mr. Dujakovich noted the importance of arrangements that provide workers employment and income stability through the ups and downs of the economy. He recommended programs that allow workers to move to part time, or to train for an advanced position when labor markets aren't so strong. Workers who leave the workforce with little experience are extremely hard to get back. Mr. Salgado noted that most of his students are low-wage workers, with only a small percentage covered by collective bargaining agreements. These potential workers especially value predictable schedules, as well as employers who support their efforts to increase their skills while on the job. He suggested that the best time to build skills is in the context of work, or in work/school partnerships, when the new skills can be quickly put to use. He was concerned that, in the absence of a strong economy, employers might not address these challenges, so it is important to seize this opportunity. Mr. van Kleunen also discussed the benefit of more flexible work arrangements that adjust hours rather than employment during downturns, perhaps augmented by government assistance to replace a portion of wages. He noted the general tendency to focus on current problems rather than the long-run future of the workplace, using the aging workforce as a key example. There has been little planning for how to prepare low-skilled workers to step in for the wave of retiring workers. Another example ripe for longer-term planning is changing technology (automation, AI, and the like) which he estimates may affect 60 percent of jobs in some way.

**We've discussed the fact that employers are looking at workers they might not have looked at before. How long does an expansion need to go, or how strong does the labor market have to be before we can expect to bring these workers into the labor force? Is a strong labor market the only way to accomplish this, or are there other mechanisms to bring these workers to work?**

Mr. Dujakovich noted that there is no question that the labor market has heated up, and that this is bringing more people in, bidding up wages to some extent due to competition for low-wage workers. He noted that counting on a pull from the top to raise the workers at the bottom is likely to be less effective than working directly on the bottom. In his experience, drawing such folks into the workforce often had multi-generational benefits. He also noted that today's workers are stretching their income across three or four generations—helping to support their parents, their own children and their grandchildren. Mr. Salgado noted the ways in which job market stresses are felt across extended families in these communities—the loss of a job or a home affects many other nuclear and extended family members. At the moment, he suggested, some of the many stresses that he highlighted throughout this discussion have been reduced or eliminated, giving people a fighting chance to focus on skill-building and career advancement, highlighting the importance of sustaining a strong labor market. He also noted the desire to use this opportunity to build partnerships and systems that are resilient through the business cycle, not just at times like these. Mr. van Kleunen suggested that solutions to address the challenges of coming changes in automation and technology might be best addressed by an entire sector or industry, rather than firm-by-firm. Such an approach would take advantage of economies of scale, and could be complemented by public policies that foster such collaboration across firms.

**What are workers able to ask for in wages and benefits? How has that changed as the market has strengthened?**

Mr. Dujakovich reported that it has been very difficult to get wage increases until recently, when fierce competition for workers has begun to bid up wages. He suggested that the lag time between the earlier increase in demand and the more recent rise in wages was likely due to the need to meet increases in other costs to employers, such as health care and pension liabilities for some industries. He noted that another cost that arises from a very tight labor market is the need to cover for vacationing or sick workers, often at time-and-a-half wages. He expects to see more wage increases. Mr. Salgado suggested public policy needs to address the minimum wage as well as the need for predictable scheduling. He emphasized the difficulty facing low-income workers who need to raise a family and maintain performance at work even when work schedules can be quite unpredictable. Governor Brainard asked if graduates from Mr. Salgado's colleges who become employed are enjoying more rapid wage increases. Mr. Salgado replied that his students, who are predominantly low-wage workers, are taking advantage of pipelines into high-demand occupations (in health care, advanced manufacturing, IT, supply-chain management), with the opportunity to move up, and are seeing wage progression. He noted that in the aggregate, as students fill positions vacated by retiring workers who were making much more, we may not see net wage increase, and this may contribute to a lack of inflationary pressure. Mr. van Kleunen noted that from the policy perspective, previous efforts have focused on opportunities in middle-wage skilled jobs, often ignoring the needs of lower-skilled workers in lower-wage jobs, who then don't get the opportunity to enter the labor force.

**Quits are often used as an indicator of how confident workers are in the availability of job opportunities. Are you seeing more of that kind of movement now? Or are workers still worried about their security in newly-entered jobs?**

Mr. Dujakovich suggested that, at the entry level, workers are mostly concerned with putting in enough time so that they're not the first to go in a downturn, which provides some disincentive to quit for other opportunities. Mr. Salgado had seen many more career-changers, seeking positions in skilled occupations, and generally looking for a better overall fit to their career aspirations. Mr. van Kleunen wondered if there were policy adjustments that would make it easier for workers to pursue on-the-job training. He suggested that the rules for Pell grants might be changed to make them available to fund shorter-term certifications pursued while employed. Using these grants in that way would also help workers avoid going further into debt.

**The Fed has a clearly defined mandate. How would you counsel the Fed to balance its responsibilities for price stability and maximum sustainable employment?**

Panelists were consistent in suggesting that maximum employment should be the first priority. Most important to these populations is a steady paycheck and a good job. Mr. Salgado wondered where the concern about inflation comes from. Wages are growing but not at a concerning rate, and not as much as they can or should grow. Mr. van Kleunen added that we need to be careful

to measure maximum sustainable employment in a way that captures all those available for work, both in and out of the labor market.

**Do the panelists have any words of advice on how we communicate, and how we can better connect what we do to the communities you interact with?**

Panelists felt that the Fed is doing a good job on the whole. Some panelists suggested it was partly their responsibility to disseminate some of the good information that the Fed and others already provide. Mr. Salgado suggested that we are probably not reaching all the layers of leadership in his city who might want to be better tuned into the topics of this conference. He felt it was always better if the decisions made by the Fed are well understood by civil leadership. Mr. van Kleunen had worked extensively with the regional Feds, whom he commended as valuable partners, both as conveners and as research providers. He suggested that this week's convening constitutes interaction with the Fed at a different level. Still, he wondered how the Fed can be an even stronger voice at the national level on the issues under discussion today. Mr. Dujakovich noted that a respected and dispassionate voice is particularly important today, when he felt there is so much noise and animosity in public discourse.